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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 11/13/08

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Articles:

1) Financial summit: Japan to propose up to 10 trillion yen contribution from foreign currency reserves to IMF to aid emerging countries

NIKKEI (Top Play) (Excerpts)
November 13, 2008

The upcoming emergency financial summit is to be held in Washington starting on November 14 in order for industrialized countries and emerging countries to confer on measures to address the financial crisis. The draft of proposals Japan will make at the meeting was revealed on the 12th. According to the plan, Japan will back the IMF expanding its emergency financial assistance to emerging countries with a proposal for making up to a 10 trillion yen contribution to the organization, using portions of its foreign currency reserves. It will also reveal a public and private-sector joint fund assistance initiative to help Asian countries, where the influx of private funds is deteriorating due to the financial crisis, procure funds. It will also underscore the need to strengthen the IMF's market monitoring function and substantially increase its capital base in the future.

Fund contribution to the IMF using foreign currency reserves is one of the showcase measures to deal with the financial crisis that Prime Minister Taro Aso will reveal at the financial summit. The aim is to contribute to stabilizing the global economy by urging the IMF

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to actively extend loans to emerging countries.

The prime minister will reveal a plan to lend portions of Japan's foreign currency reserves, which exceed 980 billion dollars (approximately 98 trillion yen), to the IMF so that the organization can smoothly procure funds for emergency loans in the event it runs short of funds. Though the amount of disbursement has yet to be set, the likelihood is strong that the contribution will be around 10 trillion, about 10 PERCENT of Japan's foreign reserves. The prime minister plans to call on China and Middle Eastern oil-producing countries, flush with foreign reserves, to also contribute funds.

Specific methods of lending foreign reserves to the IMF will be devised later. Since approximately 10 trillion yen in foreign reserves is comprised of bank deposits, the government will use this money for the time being. Since there is concern that if it sells long-term U.S. government bonds, it could have an adverse effect on the long-term interest rates of the U.S., the government will consider lending U.S. bonds to the IMF and having the IMF procure funds secured using those bonds.

Gist of Japanese government's proposals to be made at financial summit

¶1. International cooperation to overcome financial crisis
? Various countries properly implement macroeconomic policies, including fiscal disbursement (Japan has compiled a package of additional economic pump-priming measures worth approximately 27 trillion yen)

¶2. Mid- to long-term international economic and financial system
? Correction of international imbalance (Ask countries like the U.S. to constrain consumption and countries like China to expand domestic demand)

? Strengthen the functions of the IMF (Propose strengthening market monitoring and early warning functions and expanding emerging countries' right to speak)

? Step up assistance to smaller and medium-size emerging countries' efforts to deal with the financial crisis (Urge the IMF to substantially increase its capital base for active assistance in the future. Japan's fund disbursements using its foreign reserves)

¶3. Financial supervision and regulations

? International cooperation among financial authorities on financial regulations and oversight (Propose taking a second look at mark-to-market accounting and regulating credit-rating agencies)

2) Financial G-20 summit to open tomorrow; Aso to propose supervising credit rating agencies

MAINICHI (Page 2) (Full)
November 13, 2008

The first emergency financial summit of the leaders of 20 countries and regions, including Japan, the United States, Europe and newly developing countries, will be held in Washington on Nov. 14-15 to discuss measures to deal with the global financial crisis. According to the Japanese government's basic policy for the financial summit revealed yesterday, Prime Minister Taro Aso is expected to propose such measures to overcome the financial crisis as strengthening the functions and funding ability of the International Monetary Fund

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(IMF), as well as introducing a system to supervise credit rating agencies.

The G-20 summit will be attended by the leaders of Group of Seven (G-7) economies, including U.S. President George W. Bush, host of the summit, French President Nicolas Sarkozy, as well as Chinese President Hu Jintao and other leaders of emerging countries.

Through the planned dinner party on Nov. 14 and full session on the 15th, the G-20 leaders are expected to discuss such measures as (1) policy coordination on a fiscal and financial area for supporting the global economy, (2) ways to supervise and control the financial market and financial institutions in order to prevent the financial crisis from expanding and recurring; and (3) reform of the IMF-centered international financial system.

President Bush will announce a joint statement on the afternoon of Nov. 15 and the summit will end.

According to the Japanese government's basic policy, Prime Minister Aso will assert that the financial summit should identify themes up for consideration in a second summit, after displaying a clear direction for cooperation among financial authorities of the participating countries in supervising financial affairs, as well as for how international financial institutions (including the IMF) should be. Aso intends to propose boosting capital strength, including an increase in reserves of the IMF.

3) Prime Minister Aso has no plan to meet with U.S. President Bush

MAINICHI (Page 2) (Full)
November 13, 2008

Prime Minister Taro Aso will leave tonight for the United States on a government airplane. He is expected to meet on the 14th with British Prime Minister Gordon Brown and Indonesian President Yudhoyono. The government failed to arrange a meeting between Prime Minister Aso and U.S. President George W. Bush.

4) N. Korea refuses sampling

TOKYO SHIMBUN (Page 1) (Full)
November 13, 2008

SEOUL-A spokesman for the North Korean Foreign Ministry yesterday released a statement regarding how to verify its nuclear programs, in which North Korea clarified its position to refuse sampling, according to Korean Central News Agency. As it stands, the next round of six-party talks over North Korea's denuclearization, which is to focus on the documentation of how to verify North Korea's nuclear programs, will likely be delayed further.

In addition, the spokesman has also revealed that North Korea's Yongbyon nuclear facility has halved the speed of extracting spent fuel rods from its experimental graphite-moderated nuclear reactors, citing as a reason a delay in economic and energy aid that is to be

provided to North Korea in return for disabling its nuclear facilities.

The spokesman said there was an agreement in written form when U.S. Assistant Secretary of State Hill visited North Korea in October, maintaining that the subjects of verification are to be limited to

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the nuclear facility at Yongbyon and that the methods of verification are to be limited to visiting the site there, confirming documentation, and interviewing engineers.

In the statement, Pyongyang took the position that any demands beyond the written agreement infringe on the sovereignty of North Korea, thereby constraining calls for strict verification.

The spokesman warned that a further delay in North Korea's receiving of aid would result in delaying the process of disabling its nuclear facilities, adding that it would be difficult to forecast an outlook for the six-party talks. Pyongyang called for the aid to be implemented without fail.

5) N. Korea implied new info on abductions

TOKYO SHIMBUN (Page 2) (Abridged)
November 13, 2008

North Korea promised to reinvestigate the cases of Japanese nationals abducted to North Korea when Japan and North Korea negotiated in the run-up to their working-level talks held in June this year. On that occasion, North Korea officials clarified that Pyongyang was ready to provide information about Japanese abductees other than the 17 acknowledged by the GOJ and to provide new information about the fate of those government-acknowledged abductees, sources revealed yesterday.

This means that there are more Japanese nationals abducted to North Korea, or it otherwise means corrections to what North Korea has said so far about the Japanese abductees. This will lead to a complete changeover of North Korea's usual standpoint, in which Pyongyang has taken the position that the abductions issue has already been settled. It will also raise questions about the authenticity of Pyongyang-provided information about the fate of Japanese abductees, including Megumi Yokota, who Pyongyang has said is dead.

6) N. Korean reinvestigation delayed for 3 months

TOKYO SHIMBUN (Page 2) (Full)
November 13, 2008

It has now been three months since North Korea agreed in its working-level consultations with Japan to look again into the fate of Japanese nationals abducted to North Korea. North Korea was to have released its findings by this fall. However, Pyongyang's moves have stopped since the Fukuda cabinet stepped down. North Korea will likely not even set up an investigative committee, with winter just around the corner.

In the working-level consultations held this August, North Korea agreed to set up a committee to reinvestigate the fate of Japanese abductees and release findings by this fall as far as possible. "At that point," a government official recalls, "North Korea was really willing to do so." The stalemated abduction issue appeared to move again. However, Prime Minister Yasuo Fukuda announced his resignation. Pyongyang then said it would postpone its planned setting up of an investigative committee, taking the position that it would wait and see the new prime minister's policy. Since the Aso cabinet came into office, the Japanese government has been urging North Korea through diplomatic and other channels to start

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reinvestigations into the pending issue of Japanese abductees. However, there has been no response from North Korea, according to

the sources.

Japan recently extended its economic sanctions against North Korea. Then, North Korea blamed Japan, saying Prime Minister Aso broke the agreement between Japan and North Korea. There is no mood for starting reinvestigations.

Furthermore, the United States has now delisted North Korea as a state sponsor of terrorism. This means the loss of leverage for Japan against North Korea.

Ahead of the inauguration of U.S. President-elect Obama and his administration, Pyongyang is reportedly watching how the United States' policy toward North Korea will change. North Korea, now taking a wait-and-see attitude, can hardly be expected to move on the abductions issue.

7) New antiterrorism legislation to be put to vote on Nov. 18; DPJ elusive about Aso-Ozawa debate

SANKEI (Page 5) (Abridged slightly)
November 13, 2008

The House of Councillors Foreign Affairs and Defense Committee, which has been deliberating on a bill amending the New Antiterrorism Special Measures Law to continue the Maritime Self-Defense Force's refueling mission in the Indian Ocean, decided at its directors meeting yesterday to carry out a wrap-up interpellation session and take a vote on Nov. 18. The new antiterrorism legislation is now expected to be voted down in an Upper House plenary session as early as Nov. 19 and get enacted on Nov. 20 following a Lower House override vote based on Article 59 of the Constitution.

The directors meeting also agreed to conduct a question-and-answer session attended by Prime Minister Taro Aso.

The meeting also confirmed a policy course to make arrangements to hold before the end of the current Diet session intensive deliberations on civilian control in the presence of the prime minister and the four SDF chiefs of staff, as was requested by the Democratic Party of Japan in connection with the dismissal of Toshio Tamogami from the post of ASDF chief of staff.

With an eye on the end of the current extraordinary Diet session (Nov. 30), the DPJ agreed yesterday with the LDP to enact a variety of bills in the current session, including taking a vote on the new antiterrorism legislation and a bill amending the Nationality Law in the Upper House. At the same time, the DPJ remains elusive about the ruling coalition's strong request to conduct a party-head debate between Prime Minister Aso and DPJ President Ichiro Ozawa.

The DPJ began making moves yesterday to dispose of many bills. That is because the DPJ thinks that chances are high that the Aso cabinet will give up on submitting to the current Diet session a second supplementary budget for fiscal 2008 to realize a fixed-sum cash handout plan and related bills and that the Diet will close on Nov. 30 as planned.

Excluding weekdays and holidays, there are only 11 days left for regular Diet deliberations. An Aso-Ozawa party-head debate has not

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occurred since Aso took office in September.

The reason is that Aso has not been able to grasp Ozawa's wishes. Ozawa has repeatedly indicated that he is not good at discussing matters in public. A DPJ source also ascribed the absence of an Aso-Ozawa debate to the latter's reluctance to attend such a session.

DPJ Deputy Secretary General Hirofumi Hirano, who has become the DPJ's principal director of the Basic National Policy Committee to manage party discussions in place of Secretary General Yukio Hatoyama, met with Ozawa last evening. The reason is that the ruling bloc proposed earlier in the day a party-head debate conditioned on holding intensive deliberations at the Lower House Budget Committee

on Nov. 17 attended by the prime minister.

If Ozawa accepts the proposal, the first one-on-one debate with Prime Minister Aso would take place. But reportedly, Ozawa simply said, "It that so?" in response to Hirano's report on having become the principal director.

A DPJ executive said: "A party-head debate would help Mr. Ozawa demonstrate to the public that he is a person of large caliber. It would also be a good opportunity to win support greater than that for Prime Minister Aso." A DPJ Diet affairs executive simply said to reporters that the matter was under consideration.

8) Refueling bill to clear Diet as early as Nov. 20

MAINICHI (Page 2) (Full)
November 13, 2008

The Upper House Diet affairs committee chiefs of the ruling Liberal Democratic Party (LDP) and the main opposition Democratic Party of Japan (DPJ) agreed yesterday to allow the upper chamber's Foreign Affairs and Defense Committee to take a vote on Nov. 18 on a bill amending the New Antiterrorism Special Measures Law to extend Japan's refueling mission in the Indian Ocean.

The legislation will be voted down at the committee by a majority of opposition members and it will also be voted down the next day in a plenary session of the opposition-controlled Upper House. However, the bill is expected to be approved as early as Nov. 20 in a plenary session of the Lower House by two-thirds of lawmakers from the ruling parties.

Although the ruling coalition had called for holding a vote on Nov. 13 at the committee, the DPJ demanded that intensive deliberations be held on civilian control of the Self-Defense Forces with the attendance of Prime Minister Taro Aso, following the Diet testimony of former Air Self-Defense Force Chief of Staff Toshio Tamogami. As a result, the ruling coalition and the DPJ have agreed to hold deliberations on civilian control on Nov. 13. The two sides have also agreed to launch coordination on the holding of intensive deliberations on civilian control at the Upper House's Foreign Affairs and Defense Committee, because the committee will discuss the Tamogami issue after it takes a vote on the refueling legislation.

Last year it took about three months for the current refueling law to be enacted and 87 hours were spent for deliberations under the Fukuda administration due to the divided Diet. The refueling bill

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this time will likely clear the Diet in one month and a half, with less than 40 hours for deliberations.

9-1) Calls for delaying submission of second supplementary budget bill to Diet gaining ground: Ruling camp becoming cautious about extending Diet session; Plan to frontloading regular session surfaces

NIHON KEIZAI (Page 2) (Full)
November 13, 2008

Now that the outline of the flat-sum cash benefit plan totaling approximately 2 trillion yen was adopted, the government and the ruling parties will go into full coordination of views in the run-up to the submission of a fiscal 2009 second supplementary budget bill and related bills. With an increasing number of ruling party members becoming cautious about extending the current extraordinary Diet session, a plan to convene the regular Diet session early January by frontloading the timetable and deal with the bills at the outset of the session has surfaced. Prime Minister Taro Aso will reach a final decision possibly next week, after determining the political situation.

Prime Minister to reach decision, after determining economic situation

Chief Cabinet Secretary Takeo Kawamura at a press conference on November 12 stopped short of saying whether the government will submit the second supplementary budget bill during the current Diet session. He simply said, "The government is now carefully mulling the matter, while taking into the steering of the Diet in the next couple of months into consideration."

A bill extending oil refueling operations in the Indian Ocean by the Maritime Self-Defense Force is now likely to be enacted, possibly on the 20th. A bill amending the Financial Functions Early Strengthening Law is also expected to be passed into law by the end of the current session on the 30th. Now that the two major bills are expected to be enacted, the prevailing view in the ruling parties is that the government should close the Diet session on the 30th as scheduled and solely focus on the work of the compilation of the fiscal 2009 budget and the annual tax code amendment in December. They are concerned about the administration being cornered by the opposition camp.

A plan to convene the next regular Diet session as early as January 5 has surfaced in the ruling camp. The idea is that if opposition parties, which holds a majority in the Upper House, do not agree to take a vote on a special exemption bill designed to use reserves in the special fiscal investment loans program to finance the second supplementary budget, the ruling parties can take a second vote on it in the Lower House before year's end, based on the 60-day rule stipulated under the Constitution (a legislation measure that if the House of Councillors fails to take final action within 60 days after receipt of a bill passed by the House of Representatives, it may be determined by the House of Representatives that it has rejected the said bill).

It is viewed that the prime minister will not reveal his plan for the steering of the Diet till the last moment. Delaying the submission of the second supplementary budget bill means that the government will lose its card to dissolve the Lower House before

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year's end. This would make the propriety of its economic stimulus package a campaign issue. Given the fact that the government, when it released a package of additional economic stimulus measures, stressed its determination to speedily adopt it, there still remains a scenario of its dealing with the second supplementary budget, by extending the current Diet session.

Asked about whether the government will submit the second supplementary budget bill to the current Diet session or not, the prime minister on the evening of the 12th made an unclear response, saying, "The matter is now under consideration. The possibility is not zero."

9-2) Second extra budget likely to be dealt with in ordinary Diet session that will start in January

YOMIURI (Page 2) (Full)
November 13, 2008

The government and the ruling parties began coordination yesterday to forgo a plan to submit a second supplementary budget bill for fiscal 2008 that includes additional economic measures, including a fixed-sum cash-benefit program, to the current Diet session. They now intend to pass the bill in the ordinary Diet session to be convened in January. Upon ascertaining moves by the Democratic Party of Japan (DPJ) and other opposition parties, the government will make a final decision later this month.

The DPJ has indicated its opposition to the second extra budget. If the bill is submitted to the current session, the government will unavoidably have to consider a lengthy extension of the session that is due to end Nov. 30. Given this situation, government and ruling party members are increasingly taking the view that it would be better to deal with the bill in the next ordinary session in order to avoid any effect on the budget-compilation work and the diplomatic timetable in December.

A senior government official said last night: "A supplementary

budget bill is usually dealt with in an ordinary Diet session." A Liberal Democratic Party source also remarked: "The Diet should be closed in December, and we should devote ourselves to dealing with domestic and foreign affairs."

10) Cash handouts: Bill for resources creating commotion, with timing of submission to Diet unknown; Entangled in strategy for Diet dissolution

MAINICHI (Page 5) (Abridged)
November 13, 2008

In order to pay out the cash handouts to the public that the government and ruling parties agreed on yesterday, it is necessary to pass the second supplementary budget for fiscal 2008 and related bills. The government and ruling parties late last month agreed on disbursing the cash payments within the fiscal year, but the timing for submission of the essential pieces of legislation has yet to be determined. Each opposition party is clearly taking a stance against the cash-payment system, and Diet deliberation on the money package is expected to develop into a stormy situation, entangled in the Lower-House dissolution strategy on Prime Minister Aso.

Extension of the current Diet session

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As a revenue source for the 2-trillion yen package of cash handouts, the government plans to use reserves for interest rate fluctuations found in the fiscal policy and investment special account. To tap such reserves, it is necessary to amend the special account law, but there have been objections for using hidden reserves, originally intended to be used for repaying the national debt, as cash handouts. For that reason, the government and ruling parties are considering presenting a bill to protect fiscal revenues as a new law in order to emphasize that the current handout measure is special treatment.

The current session ends on Nov. 30. If the opposition camp is against holding deliberations, it will be necessary to have the legislation adopted by the Lower House, using the 60-day rule that regards the passage of such time without action a rejection of the legislation by the Upper House. If the government and ruling parties aim at passing the bills at all cost during the current Diet session, they must have the Lower House pass them by the end of this month and then extend the session significantly until the end of January. But the outlook for this action is pessimistic, with a senior member of the New Komeito saying, "Scheduling that would be difficult."

However, since the Prime Minister has decided to put off a Lower House election, giving priority to the economy, "if we don't do the second supplementary budget, the argument for delaying the election makes no sense," said a senior Liberal Democratic Party lawmaker. Speaking about presenting the second supplementary budget to the current session, the Prime Minister last evening told the press at his official residence: "We are now considering options. That is the only answer I can give you. (The possibility of presenting the bills) is not zero."

11-1) Opposition parties set to block government's cash handout plan, calling it "blunder of the century"

TOKYO SHIMBUN (Page 2) (Abridged slightly)
November 13, 2008

Opposition parties yesterday harshly criticized the flat-sum handout plan that was finally put together by the Aso Administration after tremendous difficulty. They have raised questions about the efficacy of the handout plan as part of an economic stimulus package. In the event the ruling bloc submits to the Diet a second supplementary budget to implement the plan and related bills, the opposition camp is set to put up do-or-die resistance.

Before reporters, Democratic Party of Japan Secretary General Yukio Hatoyama cynically commented on the government: "It has flip-flopped

several times. It's not functioning as a government."

About the fact the government has decided to let each municipality decide on whether to set an income cap on eligibility for cash benefits, Hatoyama said in a critical tone: "The municipalities do not want to spend a lot of effort on the high-income earners who account for only 1 PERCENT of the total, so they would probably not set income caps. The government and the ruling parties have forced their responsibility onto the municipalities."

Policy Research Committee Chairman Masayuki Naoshima had this to say about the handout plan's efficacy to shore up the economy: "The

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DPJ's proposals of a child allowance system and the elimination of the provisional gasoline tax rate are far more effective." In the event a second supplementary budget and related bills are submitted to the Diet to implement the handout plan, the DPJ is set to block them in the opposition-controlled Upper House, with Hatoyama saying: "We cannot support anything with which the people are angry. We cannot let the related bills clear the Diet easily."

Japanese Communist Party Chairman Kazuo Shii said: "The pork-barrel action that comes with a huge tax hike will not help revitalize the economy. We will demand the withdrawal of the plan."

Social Democratic Party head Mizuho Fukushima described the step as a stopgap measure and the blunder of the century. People's New Party deputy representative Shizuka Kamei, too, criticized it as the abandonment of the government's responsibility.

11-2) Opposition camp set to oppose cash benefit program, making distribution within this fiscal year difficult

YOMIURI (Page 2) (Full)
November 13, 2008

The government and the ruling parties yesterday finalize a draft plan to distribute a fixed-amount cash benefit per person. They intend to provide the benefits within this fiscal year, but Diet deliberations are expected to run into difficulties.

To implement the cash benefit program, the government needs to enact a second extra budget bill for fiscal 2008 and bills related to fiscal resources for the program in the current Diet session, but the opposition has decided to vote down these bills. Democratic Party of Japan Secretary General Hatoyama told reporters in the Diet Building yesterday: "It is unknown where the necessary revenues (to fund the benefits) will come from. This issue naturally must be discussed. We cannot support a plan about which the people are angry, claiming that the government has insulted them."

If the opposition parties, which have a majority in the House of Councillors, try to delay a vote on the supplementary budget bill, the bill will automatically receive Diet approval 30 days after the bill is sent from the House of Representatives to the Upper House. On the related bills, however, it will become necessary for the government to take an override vote in the Lower House. The government and the ruling camp yesterday started coordination yesterday to enact the extra budget bill and the related bills in the regular Diet session in January. But even if the bills clear the Lower House at the outset of the ordinary session, it may become impossible to pass the related bills before mid-March. A government source said: "We would like to push the bills through the Diet at an early date and deliver an approximate price of money to each municipal government in mid-February." As it stands, it is now uncertain whether the government will be able to distribute the benefits within this fiscal year.

If the bills are enacted by the end of this fiscal year, the government will hand over the benefits to municipal governments by the end of March, but the local government will be required to draw up guidelines and vote on supplementary budget bills related to benefits at their assemblies. They also need to do preparatory work, including education of staff members responsible for the benefit plan and the formation of measures to prevent bank-transfer frauds.

In this respect, many observers think it would be difficult to distribute the benefits within this fiscal year.

12) Japan to cut target for catch in research whaling for first time

ASAHI (Page 1) (Full)
November 13, 2008

The government will cut its target for its catch in its research whaling program for the first time, according to informed sources yesterday. The government will reduce the targeted number of whales to be caught in the Southern Ocean this season by about 20 PERCENT to about 750. This figure is about 10 PERCENT less than the total number of whales caught throughout the year. The capture number has been on the decrease recently, but Japan has decided to cut its target for the first time since the research program was introduced in 1987. The government's decision reflects radical activities by anti-whaling groups and declining demand for whale meat.

Based on the International Convention for the Regulation of Whaling, Japanese research vessels have carried out whaling operations in the Southern Ocean and the Northwest Pacific Ocean. The current annual targeted number of whales is about 1,300. Whaling operations have been carried out mainly in the Southern Ocean from the fall through the spring, with the target of seizing 850 minke whales and 50 fin whales. The government will reduce the target for minke whales to 1700.

Japan's research whaling, which has expanded in scale every year, will face a turning point. Intensifying activities by anti-whaling groups lie behind the policy switch. An anti-whaling organization of the U.S. obstructed the whaling operations of Japanese whalers by throwing bottles of liquid. Due to the effects of such protests, the number of whales caught in the Southern Ocean in the last season dropped to 551, 60 PERCENT less than the target. Australia and European countries have criticized the Japanese government for its stance on whaling.

Declining demand for whale meat also prompted the government to make the decision. The sales proceeds (amounting to 5 to 7 billion yen annually) have funded the necessary costs for research whaling, but the government took declining demand into consideration.

SCHIEFFER